Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of:	)	
	)	
Notice of Initial 39 GHz Reconfiguration Procedures	)	GN Docket No. 14-177
	)	
	)	AU Docket No. 19-59
Preparation for Incentive Auction of Upper Microwave Flexible Use Service Licenses in the 37 GHz, 39 GHz, and 47 GHz Bands (Auction 103)	)	

COMMENTS OF AT&T, INC.

AT&T Services, Inc., on behalf of the subsidiaries and affiliates of AT&T Inc. (collectively, "AT&T"), hereby submits the following comments in response to the Federal Communications Commission ("Commission" or "FCC") *Auction 103 Notice* in the above-captioned proceeding.[1] AT&T commends the Commission for its continued refinement and evolution of the auction preparation procedures and auction execution procedures for the 37 GHz, 39 GHz, and 47 GHz Upper Microwave Flexible Use Service ("UMFUS") bands. Even with the added tool of incentive auction authority, equitably addressing the existing incumbent operations in the 39 GHz band has been a challenging task. The Commission has generally struck the appropriate balance between ensuring the availability of greenfield spectrum for fifth generation ("5G") mobile services while, at the same time, according fair treatment to existing licensees who have previously invested in the band. With that balance in mind, AT&T offers a few refinements to the procedures proposed in the *Auction 103 Notice*.

[1] Notice of Initial 39 GHz Reconfiguration Procedures, Preparation for Incentive Auction of Upper Microwave Flexible Use Service Licenses in the 37 GHz, 39 GHz, and 47 GHz Bands (Auction 103), Order of Modification and 39 GHz License Transfer and Assignment Freeze, GN Docket No. 14-177, AU Docket No. 19-59 (rel. Mar. 20, 2019) ("*Auction 103 Notice*").

The *Auction 103 Notice* appropriately proposes procedures to implement the Commission's directive for a pre-auction "Initial Commitment Process" to reconfigure existing, balkanized incumbent rights into licenses that better conform to the UMFUS licensing markets and band plan.[2] One key element of the Initial Commitment Process is the development of "weightings" for different Partial Economic Areas ("PEAs"), which will be used to license the 39 GHz band, relative to one another. Such weightings are a pre-condition for incumbents to shift MHz-POPs from one partial market to another, encouraging the exchange of what might otherwise become encumbrances on licenses, and thereby contributing to the overall rationalization of the band. Among other things, the Wireless Telecommunications Bureau ("Bureau") has sought comment on what prior auction data should be used to inform the weightings and how the weighting would be done.

The Bureau has appropriately proposed to utilize auction data from Auction 1002 (the 600 MHz Incentive Auction)[3] and Auction 102 (the ongoing 24 GHz auction).[4] Publicly available Auction 102 data, as of Round 74, indicates fairly good correlation between the relative

[2] The Initial Commitment Process includes a "Round Zero" mechanism, which is a novel procedure that will permit incumbents to engage in a self-defined rationalization of license rights based on certain exchange principles. *See, e.g.*, *Auction 103 Notice* at ¶¶ 9, 34, 52, 63-64, 72. Although the Commission has not yet sought comment on the specifics of Round Zero, AT&T, even now, would underscore that the exchange proposals should remain confidential—although the exchange results will necessarily be public—and that the Commission should afford Round Zero applicants sufficient time, perhaps 48 to 72 hours, to ensure that their exchange proposals have been appropriately tendered to the Commission and conform with the applicable technical parameters.

[3] *Auction 103 Notice* at ¶27.

[4] *Id*. at ¶28 (noting that "[a]lthough Auction 102 may not have concluded by the time the index of relative PEA weights is needed for the reconfiguration of existing 39 GHz license rights, we propose to use prices as available in Auction 102 provided that the bidding is sufficiently far along as to provide a reasonable indicator of relative prices across PEAs").

PEA valuations in those two auctions, which should increase the confidence of Auction 103 participants that the data is representative of value for purposes of an intermarket exchange.[5]

The Bureau has also suggested that it could be appropriate to include Auction 97—the G, H, I, and J Block Advanced Wireless Services ("AWS-3") auction—in the data set for weighting calculations.[6] AT&T's calculations suggest reasonable correlation between the AWS-3 G Block auction data, which utilized Cellular Market Areas ("CMAs") that are generally smaller than PEAs. AT&T notes, however, that the AWS-3 H through J blocks, used Economic Area ("EA") licenses. Because EA areas are larger in many cases than PEA license areas, there is a potential—absent some adjustment—for price averaging to occur within the PEAs of an EA. In other words, if the EA pricing is applied to all included PEAs without adjustment, the impact would be to raise the weighted value of less densely populated PEAs and decrease the weighted value of the higher population density PEAs. The Bureau should therefore appropriately distribute the EA valuation across constituent PEAs in a rational manner were it to incorporate the H, I, and J block data in its weighting analysis.

In such regard, the use of multiple data sets as inputs into the weighting process is critical to avoid over-reliance on a single auction and the bidding idiosyncrasies that may have occurred in that auction. For example, the publicly available bidding data for Auction 102 shows that the highest value market is the Van Horn, Texas PEA, which is currently more than seven times the value of the New York, New York PEA—at least on a price per MHz-POP basis.[7] This reflects the application of the bid increment algorithm whereby the clock price for Van Horn, TX, has

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[5] *See, generally*, FCC Public Reporting System, Auction 102 ("PRS, Auction 102"), *available at*: https://auctiondata.fcc.gov/public/projects/auction102 (last visited Apr. 15, 2019).

[6] *Auction 103 Notice* at ¶27.

[7] PRS, Auction 102.

risen much faster relative to its opening price than in New York, but where the low population of the market means the actual round-to-round price has stayed affordable. Regardless of the reason for what must be viewed as an aberration, the Commission's ultimate methodology should ensure that a smoothing methodology is used to account for pricing outliers that will naturally occur in any specific auction.

As a final matter, the Bureau has sought comment on whether it should also include data from Auction 101 (the 28 GHz auction) in its price-weighting calculation.[8] Recognizing that only a partial inventory of 28 GHz licenses was available in that auction, the Bureau has requested comments on the use of "a statistical regression approach to impute prices for those PEAs for which no inventory was available in Auction 101."[9] Although the Bureau's regression appears sound, a concern still exists regarding the validity of the imputed results if, as appears to be the case here, the regression sample is non-representative. According to the Bureau's pre-auction inventory list for Auction 101, the largest markets by POPs were Honolulu, HI and Kern, CA (Bakersfield).[10] The imputation of Auction 101 values from those markets to markets like New York City, Los Angeles, and Chicago taxes credulity. Moreover, in addition to introducing potential error, the proposal creates added complexity without any tangible benefit. The Bureau has contemporary, relevant, and complete nationwide data for several auctions—Auction 102, Auction 1002, and Auction 97 (if adjusted as described above)—so there appears to be no reason to attempt to apply a regression to estimate what the bid distribution might have looked like had a full set of licenses been available in Auction 101. In this instance, the Auction 102, Auction

[8] *Auction 103 Notice* at ¶27.

[9] *Id.*

[10] Auction 101 (28GHz) Bidding Units, Upfront Payments, and Minimum Opening Bids, *available at*: https://www.fcc.gov/file/14281/download (last visited Apr. 15, 2019).

1002 and Auction 97 correlate strongly enough so that there appears little benefit from this added work and significant potential for reducing confidence in the results.

AT&T again commends the Commission for its efforts to appropriately balance the need for added greenfield 5G spectrum and the needs of existing incumbents in the bands at issue. AT&T believes the overall proposal for the Initial Commitment Process, including the Round Zero exchange, will contribute greatly to the minimization of encumbrances in the 39 GHz band, as long as the inter-PEA exchange rate is set in a reasonable manner. There is sufficient data from recent auctions—Auction 102, Auction 1002, and Auction 97—to create relative PEA valuations that adequately smooth out auction-specific idiosyncrasies without having to resort to statistical manipulations of auctions with incomplete inventories. Thus, AT&T urges the FCC to adopt the Initial Commitment Process requirements consistent with the foregoing recommendations and then quickly move forward with Auction 103.

Respectfully Submitted,

AT&T, INC.

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